The Great Atlantic & Pacific Tea Company, Inc.

Annual Report 1974

A Primary Company in an Essential Industry

The Great Atlantic & Pacific Tea Company, Inc. was founded in 1859 on the then novel philosophy that a profitable business could be built by offering high quality merchandise at far less than the prevailing price. A&P today is still dedicated to this policy of quality food, low prices and service to the consumer.

The food distribution industry is an essential industry, supplying one of life's three basic necessities. It is a huge industry in all its ramifications, the largest in the land.

At the close of the fiscal year, the Company operated 3302 stores in the United States and 166 in Canada, grouped in five regions and 31 divisions.

Stores are operated on a cash-and-carry basis and provide groceries, meats, fresh produce and the many other items familiar to retail food shoppers. National and local brands are handled, as well as the Company's well-known A&P, Jane Parker, Ann Page and other brands.

Supporting facilities include distribution centers, bakeries, grocery manufacturing plants, coffee roasting plants and other plants which produce or process fresh milk and milk products, cheese, frozen vegetables, nuts, frozen fish, poultry, and catsup. Products manufactured in these plants and sold under A&P's own brands accounted for approximately 10 per cent of sales for the most recent fiscal year.

The retail food industry is highly competitive in all areas served by the Company. Competitors include other investor-owned food distributors, cooperatives, and independent food stores.

The closing of old stores and the opening of new ones is a characteristic of the retail industry as it adapts to shifts in population and changing life styles. Over the past six years A&P has closed 1,800 old stores, averaging about 10,000 square feet, and has opened 555 new stores, mostly 20,000 to 30,000 square feet.

The primary function of the company is to procure and provide the American consumer with quality food at the lowest possible prices. High quality standards are maintained by a staff of laboratory technicians which analyzes and approves every item offered for sale under our own label.

In all the diverse aspects of this large business, the traditions of quality, service, low price and money-back guarantee are being joined by new policies and programs, to meet the rising expectations of the buying public. The objective is to assure the primary position of A&P in an essential industry.

Comparative Highlights

(Dollars in thousands, except per share figures)

For the fiscal year	1974	1973	1972
Sales	$6,874,611	$6,747,689	$6,368,876
Income (loss) before income taxes	(168,271)	19,127	(106,977)
Income taxes—Provision (credit)	(11,200)	6,900	(55,700)
Net income (loss)	(157,071)	12,227	(51,277)
Per share	(6.31)	.49	(2.06)
Per cent of sales	(2.28)	.18	(.81)
Cash dividends declared	11,194	—	14,925
Per share	.45	—	.60
Additions to property	80,363	55,035	48,458
Depreciation and amortization	51,620	49,570	48,870
At Year-End			
Working Capital	$ 214,023	$ 294,555	$ 329,437
Current ratio	1.47	1.82	2.01
Long-term debt	39,075	2,274	55,000
Property—net	340,889	360,253	358,096
Stockholders' equity	443,277	611,532	599,301
Per share	17.82	24.58	24.09
Number of stores	3,468	3,680	3,940
Number of stockholders	42,100	43,500	45,000
Shares outstanding	24,876,724	24,875,684	24,875,224

Annual Report for the
Fiscal Year Ended February 22, 1975

To Our Stockholders

This is my first opportunity to communicate directly with you as shareholders since I became Chairman and Chief Executive Officer February 1, 1975. I welcome the opportunity to acquaint you with many important changes that are being made at our Company.

The fiscal year which ended February 22, 1975, was disappointing. Operating results deteriorated throughout the year, and in the fourth quarter the Company experienced a net loss. Your Board of Directors has initiated a number of steps to strengthen the Company and halt the erosion of profitability and market position.

These actions are based on a comprehensive analysis of our organization and operations begun in January, 1974, by the management consulting firm of Booz, Allen & Hamilton. This study resulted in a management proposal which was approved by the Board in April, 1975.

The program entails a combination of actions designed to restructure and strengthen our organization and concurrently to begin rebuilding, modernizing and expanding our facilities and operations.

As an essential first step, the Company is closing approximately 1,250 stores and some supporting facilities. These units have either been losing money or are marginal and no longer economically viable. Most of these units are old, small and in locations where operating costs are too high in relation to their present volume of business. We regret any inconvenience these closings may cause our employees and our valued customers, but we no longer can support the burden of these stores. We must move ahead to effect a transition which other chains have completed long ago.

Implementation of this phase of the program is going forward and should be completed within 12 months. The largest fiscal impact will fall on fiscal 1974 results against which a pretax reserve of $200 million has been established. During the current year, the net cash outflow created by the closing program should not be significant. However, we do not expect the year to be profitable.

The large reserve requirement, after tax effects and operating profits for the year, resulted in a net loss of $157.1 million for the fiscal year. This was equal to $6.31 per common share and compared with a net profit of $12.2 million, or $.49 per share in the fiscal year ended February 23, 1974.

Anticipating these unsatisfactory results and evaluating the Company's longer term financial requirements, the board voted in December to omit the dividend of 15 cents per common share paid in the first three quarters. We will not be able to restore payment of a dividend this year and perhaps not next year. While we deeply regret this action, we feel it is necessary if we are to accomplish our goals.

We turn now to the more positive side of the report.

Our Real Estate and Engineering Departments are being reorganized to make certain that we develop the best possible locations for the stores we intend to build.

Some 160 large new supermarkets are presently under development. For the most part, these supermarkets will exceed 30,000 square feet in size. We are developing plans for up to 55,000 square-foot stores that will combine food and drug retailing.

Significant improvements in merchandising—product mix and store layout—are being effected.

The decade of the '70s definitely is the decade of the consumer. Today's consumer expects and has a right to

unit pricing, open dating, nutrition labeling and modern, clean and attractive stores.

We must convince our customers we truly are their purchasing agent and not the selling agent of the manufacturer. To do so, we must earn their trust by first convincing our employees that this is our goal and our commitment to our customers. Everything within our capability will be done to make shopping at A&P easier, more pleasant, more convenient and a more rewarding experience.

Changes in organizational structure will involve decentralizing more of our operations so that day-to-day operating decisions will be made at the appropriate level of the Company. Divisional and store managers will have greater autonomy and flexibility in these operating decisions.

New people from outside our Company are being and will be brought in to facilitate the transition and to strengthen our operating management as well as to help us inject new ideas.

On April 1st Grant C. Gentry, formerly with Jewel Companies, Inc., joined A&P as President and Chief Administrative Officer. I am very pleased to have him with us as a partner in our endeavors and know that he will make an immediate as well as long-term contribution towards the accomplishment of our goals and objectives.

Later in this report, some of the other important changes in management will be reviewed.

To finance all the developments that are contemplated it is and will be necessary to attract more outside capital than has been customary in the past.

I would like to pay special tribute to one of our retiring directors, Donald Kirk David, former Dean of Harvard Business School, who has been a great source of strength and wisdom to our board for more than 16 years. I wish I could have served with him longer. In the short time I worked with him he gave me excellent counsel.

In closing, I am grateful for the help and encouragement I have been receiving from our shareholders and employees. The past year has been trying: this year promises to be the same.

With your continued support, we will persevere in our task of restoring A&P to its position of leadership in the industry.

J. L. Scott

J. L. Scott
Chairman and
Chief Executive Officer

May 13, 1975

A&P's Commitment to Consumers

A&P's marketing philosophy has always centered on the consumer. For nearly a century the twin principles of economy and quality were, alone, enough to sustain a thriving business, but in more recent years, the faster pace of change has been reflected in new consumer attitudes.

Rising levels of education, communication and expectation have made retail food store shoppers more sophisticated. They are more demanding not only of good dollar values but of many more qualitative benefits as well. Products, too, are changed more frequently by manufacturers, and the speed with which new products enter the marketplace has increased. The need for information on which to base buying judgments has soared.

A&P is adapting to these changes. In the nation's most competitive industry, with convenient and attractive shopping alternatives, no one can take the consumer for granted. There are too many other places to go.

Guaranteed Satisfaction
has been basic to A&P's philosophy from the beginning. No matter who makes it, if A&P sells it, we guarantee it and refund the purchase price if the customer isn't satisfied.

Exceptional Value
is another mainstay of our policy. Besides offering good values on regularly priced items, we run weekly specials on meat, produce, dairy and grocery items. Our "Super-Right" quality meats have been a long-standing attraction to consumers and help account for the relatively higher percentage of meat sales to total sales that characterizes A&P in comparison with other large food chains.

Low Prices with Quality
are found in our own label merchandise. Our A&P label canned vegetables and frozen fruits and vegetables are Grade A, the best by government standard.

These basic policies have existed in the Company for many years, but we are aware they have not always been observed in our stores. The increasing complexity and competitiveness of the marketplace required that we act to obtain full compliance in all stores.

Among the steps taken to assure full compliance on the basics and the implementation of new policies and programs to meet more fully the needs of today's consumers was the creation of a new position—Director of Consumer Affairs.

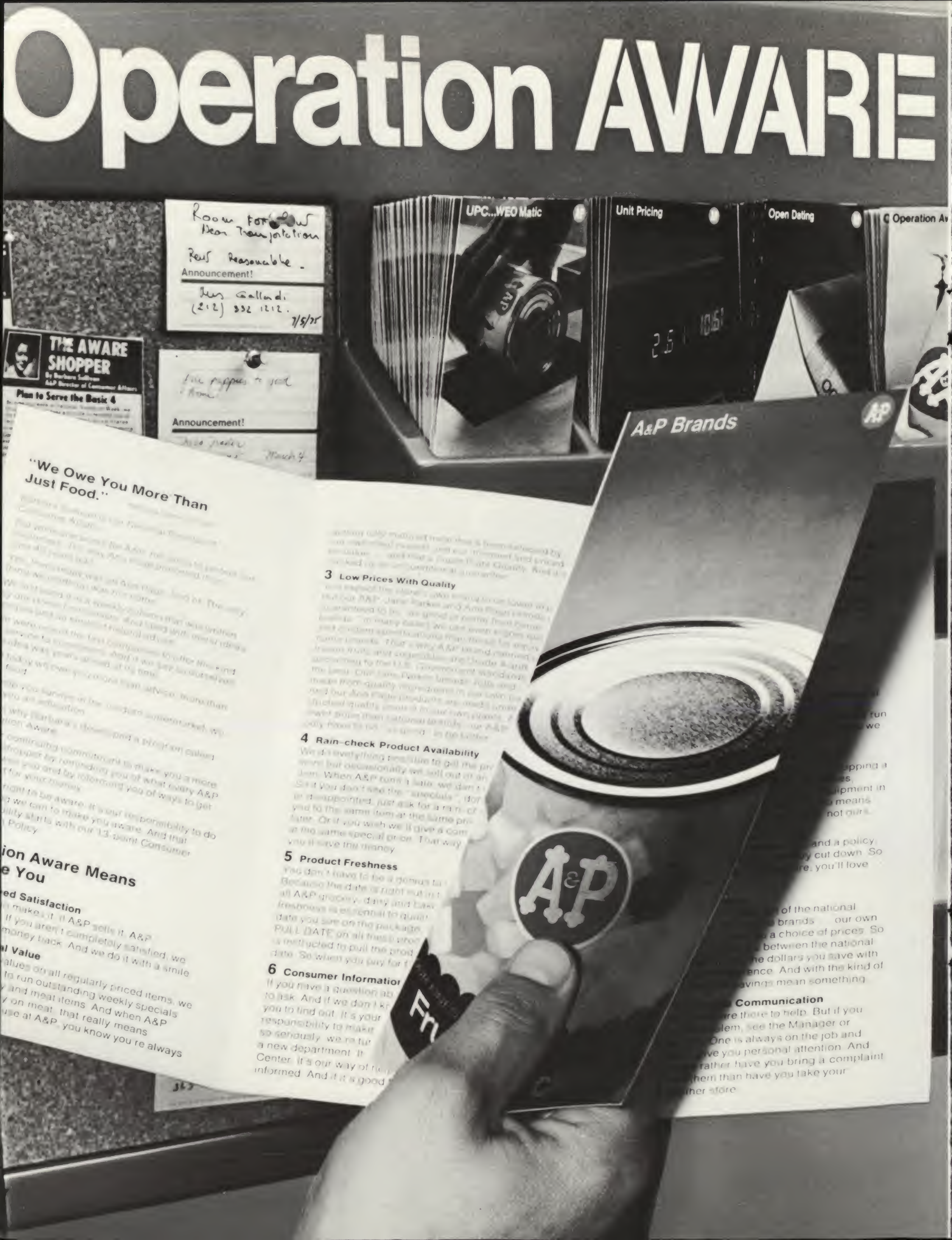
Consumer attitude studies were undertaken that provided valuable guidance in the formulation of an "Operation Aware" program that is being implemented throughout the Company.

At the outset, all store managers received an orientation course on the principle that the individual store and its management are "the Company" in the eyes of the customer. Each store manager is, in effect, the consumer affairs director of the store, operating within established policy and program guidelines.

The second step, launched in January, was to raise consumer awareness of what A&P has done and is doing to respond to their needs. This commitment incorporates the basic policies listed earlier and these additional policies:

Product Freshness
is assured by open dating on virtually all dairy, bakery and grocery products where freshness is essential to quality. The "PULL DATE" listed is the last date the product can be sold as fresh.

Consumer Information
has been substantially expanded through the establishment of "Operation Aware" information centers in prominent locations within the stores. Each of the Aware


Operation AWARE
UPC...WEO Matic
Unit Pricing
Open Dating
Operation Aw
THE AWARE SHOPPER
Announcement!
Announcement!
A&P Brands
"We Owe You More Than Just Food."
3 Low Prices With Quality
4 Rain-check Product Availability
5 Product Freshness
6 Consumer Information
A&P

center display units has a cork bulletin board next to a series of pockets for pamphlets that explain the "Operation Aware" program, unit pricing, nutritional labeling, open dating, information on A&P brands and a description of the Universal Product Code and its future application in electronic checkout systems.

Also included in the centers are recipe cards featuring low-cost, high-protein meals and consumer response letters through which customers can evaluate their shopping experiences at A&P.

Courteous Service
is one of the most important qualitative benefits consumers insist on increasingly in today's fast-moving, impersonal world. We intend to provide it.

Cleanliness
is our commitment to make our stores the cleanest, most attractive possible.

Safe and Healthy Products
require an extensive supporting effort from our staff of chemists, bacteriologists and sanitarians, who run countless tests and laboratory checks to assure that all our products meet the highest standards.

Shopping Convenience
is another commitment we are making to provide fully-stocked shelves, efficient checkout, carts, scales and other equipment in good working order, and products grouped for the customers' convenience, not ours.

Butcher's Pledge
always to pack the better side of the meat down so that if the visible side is acceptable, the other side will be even more so.

Variety of Choice
may seem self-evident in a store stocked with 8,000 items. What we mean is a real choice in both price and quality between our own brands and national brands.

People-to-People Communication
represents a general spirit of helpfulness on the part of A&P employees, the availability of a manager or assistant manager to deal with a problem and a desire to hear complaints rather than lose a customer.

Another embodiment of this spirit is "The Aware Shopper," a weekly column in our newspaper ads that is designed to provide "buymanship" tips to shoppers.

Food Retailing in Perspective

Food prices recently have been the highest in modern history, having soared to these heights in a very short time after a prolonged period of stability. This sudden shift and the widening spread between what the farmer receives and what the consumer pays have raised the question whether middlemen—processors and distributors—are reaping excessive profits.

To grasp what has happened and to understand the changing economics of the food industry, it is necessary to look back in time and to look outside the boundaries of the United States.

The primary cause of today's high retail food prices is a worldwide shortage of food and feed grains. While it seems as if this problem has hit suddenly, it has in fact been developing over a period of several years.

The growth of population and the increasing wealth of both industrialized and developing nations has raised total demand for food, especially for protein-rich foods like meat, which requires huge quantities of feed grains to produce.

Food prices are governed by the law of supply and demand, and 80 per cent of ALL food prices are related to grain prices.

While demand has been increasing, grain supplies have been decreasing. A succession of poor crop years severely depleted world reserves. Shortages elsewhere were made up principally from United States stockpiles as vividly manifested by the Russian wheat sale of 1973.

U. S. food surpluses are no longer available to moderate world and domestic price movements as they have in the past. The 1974 crop year was disappointing, and our feed grain supplies are at the lowest level in modern times. *This means that the U. S., as well as the rest of the world, is now dependent on annual production to meet annual demand, and that food supplies and prices are more dependent on weather than at any time in recent memory.*

High prices, of course, should stimulate increased production and temper demand. This appears to be happening slowly, however, and does not promise early relief at the retail food counter.

Other factors have added to the problem and increased its complexity. We are still living with the lingering effects of price controls, which induced shortages that drove prices up or removed products from the shelves. The threat of renewed controls created a fear at all levels of distribution of getting "caught" with prices down. The normal competitive

operation of the price mechanism is inhibited by the unhappy memory of government price and wage regulation.

The energy shortage has had a dual effect, first on the supply and cost of fertilizer, which is largely based on petroleum, and secondly on the cost of transportation, electric power, packaging and other supplies and services. Added to this, the general inflation has forced operating costs up at an alarming rate—generally faster than could be offset by increased prices.

The result for food retailers, and especially those of us whose margins had been narrowing earlier, has been a severe profits squeeze.

The food distribution industry has always operated on a very small margin of net profit per dollar of sales, depending on a high turnover rather than markup for its return on investment. The highest this margin has ever been was in the boom period of the late 1960's when it approached one and one half cents. Today, in sharp contrast, the industry is suspected of "profiteering" when its margin is estimated to be only about eight tenths of a cent per dollar of sales, after taxes, up modestly from 1973, when it dropped to barely five tenths of a cent.

The slimness of profit margins in recent years resulted in part from government controls, from cost and competitive forces, and in part from the Company's discount pricing program to rebuild sales and regain market share. It is clear that this low rate of profitability must be corrected if the Company is to remain capable of providing an efficient food production and distribution system to our customers.

In our experience, the basic factor causing the increased spread between farm and retail prices for meat and other products is *the increased cost to us of obtaining and distributing the product to the consumer.* A special Task Force Report to the Agriculture Secretary last summer reached the conclusion that "the most important factor" in the growing spread between farm and market prices for meat was "the sharp increase in costs of labor and other services and supplies required by marketing firms."

Our total operating costs increased more than $100 million in 1974. Labor and wage rates increased 10% and fringe benefits 15%; heat and electricity rose a staggering 38%. Various packaging costs increased 25% or more. These are only a few major examples of our cost pressures.

Computer automation of warehousing is one development with a potential for meaningful cost savings. Another is adoption of the Universal Product Code and the installation of electronic checkout systems. Computerized control of inventory is a further promising step.

In the realm of public policy, there are a number of changes that would materially improve the cost picture of the food distribution industry. One that already has received some attention is a change in Interstate Commerce Commission regulations requiring food trucks to return empty by prohibiting them from backhauling non-agricultural cargoes. Circuitous truck routings are another requirement that severly impedes the efficient use of fuel and transportation equipment. In rail transportation, many steps could be taken to speed freight movement, accelerate freight car turnaround time, reduce the labor costs of loading and unloading and ease acute shortages of refrigerated cars. Changes in Federal regulations also have been suggested as a way to reduce product prices.

Every measure that increases efficiency in distribution helps to cut costs or keep them from rising, thereby restraining price

increases, improving profitability and giving the consumer a better value.

How "Expensive" is Food?

The National Association of Food Chains notes that if *all* of the profits earned by the food distributors were refunded to the American public, each person would get back about 8¢ a week, or scarcely $4 a year. What percentage of disposable income goes for food? In 1974, according to USDA preliminary figures, the portion spent for food consumed at home was 13.3 per cent. Despite the steep rise in food prices, this was substantially lower than the 1960 figure of 16.2 per cent because consumer incomes rose faster than food prices until the last half of 1974.

The share of disposable income that Americans spend for food is also the lowest of any country in the world. Comparable income shares spent for food consumed both at home and away in various major nations last year were:

U.S. . . . . 16.9 per cent
Germany . . . . . 17.7 per cent
France . . . . 21.7 per cent
Britain . . . . 22.1 per cent
Japan . . . . 23.0 per cent
Russia . . . . 38.0 per cent

In the less developed countries, half to as much as 70 per cent of disposable income goes to purchase food.

Not only is food in North America the cheapest, it is also the best. We have the greatest variety. We can obtain fresh fruits and vegetables any time of the year. Our meat is federally inspected. Nutritional value is on the label. Unit pricing tells us what we are getting in food value per dollar. Open dating assures freshness.

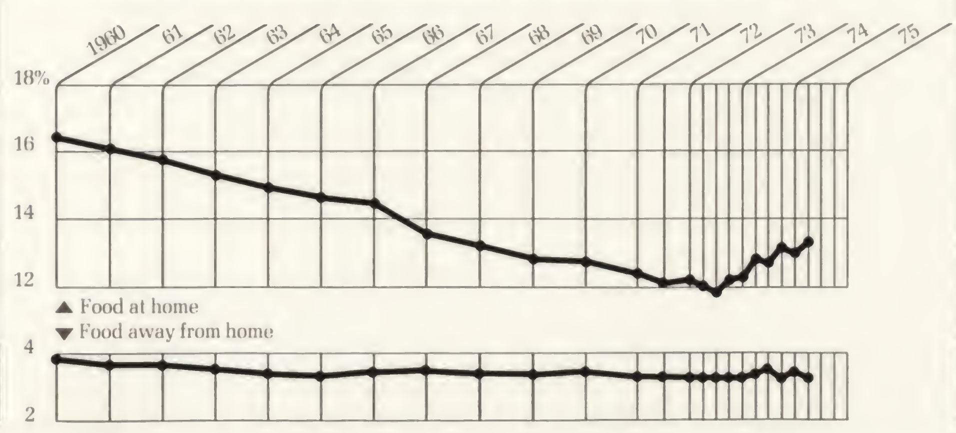
These benefits are the result of an efficient agricultural production, processing and distribution system, and one that can become even more productive if all the individuals and groups who make up this largest of national industries will work toward that common goal.

Prices and Productivity

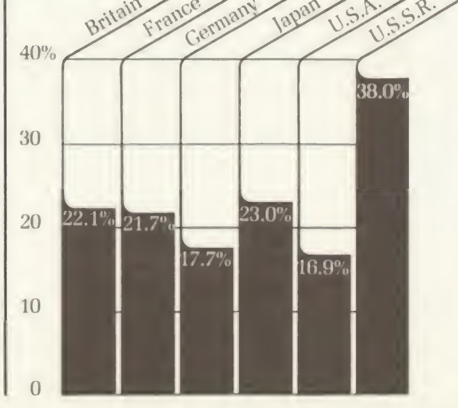
What of the future? Is it as bleak and depressing as the past few years seem to have been? What can food distributors do to improve the food cost situation?

Our only hope for stabilizing, let alone reducing, costs is to increase productivity all along the food production and distribution chain. The portion that we distributors can control directly offers some promise.

Percentage of disposable income spent on food in the U.S.A.



Percentage of disposable income spent on food in major nations



Operations And Financial Review

Discussion of Operations

The following is an analysis of operations for the fiscal year and comments on significant changes during the past five years. Please refer to the Six Year Summary of Operations on page 24 and the Quarterly Results appearing below.

Fiscal 1974 Compared to Fiscal 1973

Although 1974 sales reached a record $6.875 billion, the rate of increase over 1973 of 1.9% did not keep pace with the rate of inflation. Fourth quarter sales were 4.5% behind the same quarter of the previous year. These results were somewhat affected by labor strikes in four major markets during the year.

Gross margin as a ratio of sales was 19.78% in 1974 compared to 18.29% in 1973. The higher margin reflects inflationary pressures placed on the Company's expense structure.

Store operating, general and administrative expenses increased from 17.98% of sales in 1973 to 19.30% in 1974. The cost of utilities rose sharply, as did wages, fringe benefits and store packaging supplies, particularly after the cessation of economic controls on April 15, 1974.

The pre-tax loss in 1974 of $168.3 million includes a provision of $200 million for the estimated cost of closing approximately 1250 stores and certain support facilities in 1975. Exclusive of the foregoing provision, pre-tax income would have been $31.7 million, compared to $19.1 million in the prior year. Neither result is considered adequate as a return on investment nor as a percentage of sales.

The provisions for income taxes, a credit of 6.7% of the pre-tax loss in 1974, and a charge of 36.1% of 1973 pre-tax income, are reconciled to the U.S. statutory rate in a note on page 16.

The above factors combined to produce a net loss in 1974 of $157.1 million and net income of $12.2 million in 1973.

A table of quarterly data for the two latest fiscal years is shown below.

Fiscal 1973 Compared to Fiscal 1972

Sales increased 5.9% in 1973 over the prior year, partially reflecting the higher prices resulting from inflation.

Gross margin was 18.29% of sales in 1973 compared to 17.29% in 1972 when margins had been lowered in an effort to reverse a declining trend in the Company's market share.

Store operating, general and administrative expenses in 1973 represented 17.98% of sales, and 18.96% in 1972 when an extensive investment was made in a program to recover customer patronage. 1972 expenses

Quarterly Results and Common Stock Data

	(Dollars in thousands)				Per Share of Common Stock					
Quarter	Sales		Earnings (loss)		Earnings		Dividends Paid		Market Range	
	1974	1973	1974	1973	1974	1973	1974	1973	1974	1973
First	$1,754,727	$1,640,511	$ 10,298	$ 2,392	$.41	$.10	$.15	—	14¾—11¾	16⅝— 9¾
Second	1,696,643	1,659,406	4,976	(3,422)	.20	(.14)	.15	—	12⅞—10⅛	14⅛—11
Third	1,719,476	1,663,400	6,632	760	.27	.03	.15	—	10⅝— 8⅛	12⅞— 9⅞
Fourth	1,703,765	1,784,372	(178,977)	12,497	(7.19)	.50	—	—	9½— 6½	14¼— 8
Total	$6,874,611	$6,747,689	$(157,071)	$12,227	$(6.31)	$.49	$.45	—		

also reflect the cost of trading stamps for a portion of the year. The phase-out of trading stamps in favor of lower margins was completed in 1972.

Income from operations in 1973 was $20.9 million, generated entirely in the fourth quarter. The high cost of the program described above resulted in a loss from operations of $106.0 million in 1972, despite a sales gain of 15.6%.

The provision for income tax was a charge equal to 36.1% of pre-tax income in 1973 and a credit equal to 52.1% of the pre-tax loss in 1972. The difference between the effective tax rates and the U.S. statutory rate is attributable primarily to the amortization of investment credit.

Net income in 1973 was $12.2 million and the net loss in 1972 was $51.3 million.

Significant Changes Prior to Fiscal 1972

The 1971 net income of $14.6 million was adversely affected by the U.S. Government imposed price freeze and economic controls, and by a sales decrease of 2.7% from the preceding year when net income was $50.1 million.

Facilities Closing Program

A decision to close approximately 1250 unprofitable and marginal stores and certain support facilities was made in February 1975. The closings are expected to occur in the 1975 fiscal year with no material impact on cash flow.

The cost of the program, estimated at $200 million ($176 million after tax effect), has been recorded in the fiscal 1974 financial statements. The provision for cost of closing facilities is not deductible for income tax purposes until the costs are incurred. The timing difference was tax effected in fiscal 1974 in accordance with Accounting Principles Board Opinion No. 11 (see note on page 16).

The stores that will continue to operate had an average weekly sales volume of about $43,000 in 1974, while those designated to close averaged approximately $22,000 weekly (approximately $1.4 billion sales in fiscal 1974).

Inventories

Merchandise on hand at February 22, 1975 was $572 million, or $28 million higher than the year before. The increase was caused principally by a higher cost index.

Capital Expenditures and Depreciation

Fixed asset expenditures totaled $80 million in 1974 compared to $55 million in 1973. Most of the investment was made to equip new stores that averaged 27,000 square feet, and to renovate supermarkets. Depreciation and amortization charges were $52 million this year and $50 million in 1973.

Bank Credit Agreement

Funds borrowed under a revolving credit agreement averaged $30 million during the year, reaching a high of $60 million in November. At year-end outstanding debt was $35 million. There was no outstanding debt at February 23, 1974.

Working Capital

The excess of current assets over current liabilities decreased $81 million during the year. The portion of the closing program reserve payable within one year, estimated to be $100 million, accounts for the change.

Stockholders' Equity and Dividends

Stockholders' equity decreased $168 million during the year to $443 million or $17.82 per share, from $612 million or $24.58 per share. The reserve for the facilities to be closed recorded in fiscal 1974 was the principal cause of the decrease in equity. Dividends of $.15 per share were paid on the first of May, August and November, 1974 but omitted in the fourth quarter, 1974, and in the first quarter, 1975. The terms of the amended credit agreement with banks prohibit the payment of dividends as described in the note on page 16.

Executive Changes

Jonathan L. Scott

Former vice chairman and chief executive officer of Albertson's Inc., elected vice chairman and a director December 12, 1974; chairman and chief executive officer February 1, 1975, when William J. Kane, chairman and chief executive officer and a director, retired after 43 years with the Company.

Grant C. Gentry

Former executive vice president, administration and a director of Jewel Companies, Inc. of Chicago, elected president and chief administrative officer March 31, 1975 and a director April 10, 1975.

Robert F. Longacre

Former president, elected vice chairman and chief operating officer March 31, 1975. A director since 1971, he has served in various executive capacities in operations, labor and personnel.

Robert T. Blade

President of the Western Region, elected a corporate vice president March 24, 1975. He earlier succeeded Robert J. Murray, corporate vice president, who retired November 6, 1974.

Arthur S. Hillhouse, Jr.

National director of warehousing and distribution, elected a corporate vice president April 10, 1975.

John L. Long

National director of purchasing, elected a corporate vice president April 10, 1975.

Willis D. Lonn

Former vice president of procurement at Albertson's Inc., elected a corporate vice president—special projects March 24, 1975.

H. Prentice Merritt

Former vice president, store design and construction at Albertson's Inc., elected a corporate vice president — property development March 24, 1975.

Lowell A. Peters

Former regional vice president of Jewel Companies, Inc., elected a corporate vice president May 8, 1975.

Thomas F. Sheridan

President of the Central Region, elected a corporate vice president March 24, 1975. He earlier succeeded James S. Kroh, corporate vice president, who retired October 1, 1974.

Darrell V. Stiffler, Jr.

National director of personnel and industrial relations, elected a corporate vice president April 10, 1975.

Directors

In addition to Messrs. Scott and Gentry, the Board of Directors also elected William M. Agee, executive vice president of The Bendix Corporation, a director February 13, 1975.

Leaving the Board were Donald Kirk David, former dean of Harvard Business School, as well as Messrs. Kane and Kroh.

Notes to Financial Statements

Accounting Policies
Following is a summary of the accounting policies that significantly affect the determination of financial position and results of operations.

Principles of Consolidation — The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated.

Foreign Operations —Except as to net property, assets and liabilities of foreign subsidiaries, principally Canadian, have been translated into U.S. dollars at rates of exchange in effect at the balance sheet dates. Net property has been translated at rates in effect when the properties were acquired. Income and expense accounts have been translated at average rates prevailing during the fiscal year, except that depreciation and amortization have been translated at historical rates. The resulting unrealized foreign exchange loss of $812,000 in fiscal 1974 and gain of $680,000 in fiscal 1973 have been respectively charged and credited to a reserve for foreign currency fluctuations consisting of cumulative net unrealized foreign exchange gains. The reserve, amounting to $1,082,000 at February 22, 1975, is included in the caption Reserves in the accompanying balance sheet. If net unrealized foreign exchange losses in the future should exceed the balance of the reserve, the excess would be charged to operations.

Inventories—Inventories are stated at the lower of cost or market, with replacement cost generally being considered to represent market value. Cost is determined on the following bases: inventories in stores—average cost under the retail method; majority of remaining inventories—cost on a first-in, first-out basis. Merchandise available for resale accounted for approximately 95% and 93.5% of the respective amounts reported as inventories in the balance sheets at February 22, 1975 and February 23, 1974.

Property—Property is stated at cost, except for store fixtures and leasehold improvements which are stated at amortized cost. Major renewals and betterments are capitalized, whereas maintenance and repairs are charged to expense. As group depreciation generally is utilized,

gains or losses on normal disposition of assets are not recognized until all assets in the group are fully depreciated or disposed of. Fully depreciated property is written off against the related depreciation reserve. Reference is made to the Note captioned Facilities Closing Program for provision for loss on disposal of property at facilities to be closed.

Depreciation and Amortization—For financial reporting purposes, depreciation and amortization are provided, generally on the straight-line method, over the periods of the estimated useful lives of the respective assets. The approximate annual rates are as follows: buildings—from 2% to 5%; store equipment—8%; other equipment—from 6⅔% to 10%; and store fixtures and leasehold improvements—generally from 10% to 12½%.

Income Taxes—Deferred taxes are provided in recognition of timing differences between income tax and financial statement reporting. Investment tax credits are amortized over the estimated useful lives of the related assets.

Income taxes are provided on undistributed earnings of foreign subsidiaries not considered permanently invested. Taxes of approximately $7 million have not been provided on permanently invested earnings.

Retirement Plans—Annual costs of the companies' retirement plans are based on actuarial cost methods as supplied by independent consulting actuaries and consist of normal cost plus interest on prior service costs which are funded on a current basis. Annual actuarial gains and losses of the Company's retirement plans consistently have been amortized over a six-year period, except for gains arising from social security benefit increases which have been amortized over ten years and gains arising from extraordinary terminations (resulting from negotiated labor contracts) which have been amortized over twenty years.

Earnings (Loss) Per Share—Net income (loss) per share of common stock is based on the weighted average number of common shares outstanding in the respective fiscal years. Stock options (common stock equivalents) outstanding during the respective fiscal years had no dilutive effect.

Reclassification—A reclassification of $2,274,000 has been made in amounts as previously reported in the balance sheet at February 23, 1974 with no effect on working capital.

Facilities Closing Program

Prior to the close of fiscal 1974, a decision was made to close unprofitable and marginal stores and certain related support facilities in fiscal 1975. The final plan, encompassing approximately 1250 stores and certain warehouses, manufacturing plants and offices, was approved by the Board of Directors on April 10, 1975. A provision for the estimated cost of the closing program in the amount of $200 million has been included in the fiscal 1974 financial statements. The provision consists generally of estimates for: costs of employee severance payments and other benefits, present value of lease obligations (net of settlements and sub-lease revenues), future operating losses of stores to be closed, loss on disposal of property and equipment, and costs of dismantling, moving and restoration of leased properties.

The resultant reserve for facilities to be closed at February 22, 1975 has been classified in the accompanying balance sheet as follows: current liabilities—$100 million; property valuation reserve—$46 million; and non-current reserves—$54 million.

Income Taxes

The components of the provision (credit) for income taxes are shown in the tables below.

The Company's effective income tax rates are (6.7%) for fiscal 1974 and 36.1% for fiscal 1973. The difference between the statutory U.S. rate of 48% and the fiscal 1974 effective rate is attributable primarily to recognizing as a deferred tax credit only that portion ($24 million) of the future tax benefit relating to the $200 million provision for cost of closing facilities as is considered currently to be assured of realization. The difference of 11.9% in fiscal 1973 is attributable primarily to the effective rate of amortization of investment credits.

The Company has unused investment tax credits of approximately $600,000 from fiscal 1973 and $2,100,000 from fiscal 1972. In addition, a Canadian subsidiary has a tax loss carry-forward from fiscal 1972 of approximately $4,000,000 after utilizing $2,800,000 in fiscal 1974. The major portion of the amount utilized in fiscal 1974 resulted from the deferral of depreciation charges of approximately $2,400,000 to future periods for tax purposes.

Long-Term Debt

Long-term debt consists of notes payable of $35 million at February 22, 1975 pursuant to a four-bank commitment, effective September 1, 1972, for borrowings of up to $100 million expiring May 31, 1976 and mortgages payable in the amount of $4,075,000 and $2,274,000 at February 22, 1975 and February 23, 1974, respectively.

The terms of the four-bank commitment and the related credit agreement were amended effective February 22, 1975. Borrowings thereunder bear interest at ¼ of 1% over the banks' prime rate for ninety-day loans to September 1, 1975 and ½ of 1% over prime thereafter, and all such loans mature on May 31, 1976. Unused portions of the commitment bear interest at ½ of 1% a year. The weighted average interest rates on these borrowings during fiscal 1974 and 1973 were 10.7% and 9.1%, respectively. In addition, there are informal arrangements with the banks requiring the maintenance of compensating balances based on the commitment plus outstanding loans. Such compensating balance requirements are not significant in relation to the Company's recorded cash balances.

The related credit agreement (as amended), among other things, prohibits the declaration of dividends (including other defined payments with respect to capital stock) until the termination of the agreement on May 31, 1976, and requires the maintenance on a

Provision (Credit) for Income Taxes

(Dollars in thousands)	Fiscal 1974	Fiscal 1973
Current:		
U.S. and Canadian	$ 4,994	$ 3,739
State	1,100	600
Investment Credit:		
Deferred	4,850	2,502
Amortization	(1,924)	(1,807)
Deferred U.S. and Canadian	(20,220)	1,866
Total	$ (11,200)	$ 6,900

Deferred U.S. and Canadian Tax Provision (Credit)

(Dollars in thousands)	Fiscal 1974	Fiscal 1973
Provision for cost of closing facilities	$ (24,000)	
Insurance reserves	(1,902)	$ (95)
Depreciation	4,335	2,249
U.S. tax on undistributed Canadian earnings taxed at less than U.S. rate	1,382	1,081
Pension costs	237	(1,898)
Other	(272)	529
Total	$ (20,220)	$ 1,866

consolidated basis, of working capital of $165 million, and a current ratio of 1.3 to 1. In addition, consolidated tangible net worth (approximately equal to stockholders' equity) in any fiscal quarter subsequent to February 22, 1975 may not be less than the greater of such amount at the preceding quarter-end reduced by $25 million, or $380 million.

Leases

Most operations of the companies are conducted in leased premises. The unexpired non-cancellable terms of such leases at February 22, 1975 range up to twenty-five years for store leases and thirty years for other leased facilities. The majority of the leases contain escalation clauses relating to property tax increases, and certain of the store leases provide for increases in rentals when sales at the stores exceed specified levels. Leases for rental of other than real property are not significant.

None of the Company's lease obligations are capitalized. In conformance with a 1973 requirement of the Securities and Exchange Commission, the Company has classified as financing leases those of its approximately 4000 leases whose non-cancellable terms either assure the lessor recovery of his cost plus a reasonable return on investment or cover 75% or more of the economic life of the property.

Rent expense, net of minor sublease rentals, for the fiscal years 1974 and 1973, and minimum annual rentals, net of minor sublease rentals, for leases in effect at February 22, 1975 are shown in the tables below.

The estimated present value of minimum rentals (net of amounts applicable to taxes and insurance) on noncapitalized financing leases at February 22, 1975 and February 23, 1974 amounted to $84,336,000 and $39,305,000, respectively. Interest rates ranging from 4.25% to 10% used in the present value computations resulted in weighted average interest rates of 7.9% and 7.8% in fiscal 1974 and 1973, respectively.

If all financing leases had been capitalized and the related property rights amortized on the straight-line method and interest expense recorded on the basis of the outstanding lease obligations, costs would have increased (net of tax effect) for fiscal 1974 and 1973 by approximately $835,000 and $496,000, respectively. The assumed amortization and interest costs for fiscal 1974 and 1973 would have been as follows: amortization—$3,459,000 and $1,976,000, respectively; interest—$5,242,000 and $3,051,000, respectively.

Rent Expense, Net of Minor Sublease Rentals

(Dollars in thousands)

Fiscal 1974	Financing Leases	Other Leases	Total
Minimum rentals	$ 8,855	$108,609	$117,464
Contingent rentals	110	1,458	1,568
Total	$ 8,965	$110,067	$119,032
Fiscal 1973			
Minimum rentals	$ 5,134	$106,506	$111,640
Contingent rentals	72	1,198	1,270
Total	$ 5,206	$107,704	$112,910

Minimum Annual Rentals, Net of Minor Sublease Rentals

(Dollars in thousands)

Year Ending in February	Financing Leases	Non-Financing Leases: Facilities to Be Closed	Non-Financing Leases: Other	Total
1976	$ 10,272	$ 22,367	$ 77,304	$109,943
1977	10,265	17,438	69,221	96,924
1978	10,093	14,231	62,306	86,630
1979	9,928	11,838	56,022	77,788
1980	9,889	9,936	49,408	69,233
1981-1985	49,108	30,230	183,225	262,563
1986-1990	48,545	13,046	106,104	167,695
1991-1995	36,192	7,583	54,748	98,523
1996-2003	10,324	—	309	10,633
Total	$194,616*	$126,669	$658,647	$979,932

*Includes $4,958 total obligations for facilities to be closed.

Stock Options

Subject to approval by the stockholders at their annual meeting in June 1975, the Board of Directors on March 13, 1975 approved an option plan for the granting of either qualified or non-qualified options to officers and key employees for the purchase of not in excess of 1,000,000 shares of common stock. Grant recipients and terms of individual grants will be determined by a Committee selected by the Board of Directors, except that options may not be granted for less than the fair market value of the optioned shares at grant date or for a period of more than ten years. Options granted which are intended to be qualified will be for a period of not more than five years and in other respects will conform to the Internal Revenue Code requirements for qualified options. Through April 25, 1975, non-qualified options have been granted for 205,000 shares at $9.25 a share (market value at grant date) which may be exercised at any time, after stockholder approval of the Plan, over a ten year period from grant date.

Under stock option plans for executives and key employees in effect during fiscal 1973 and 1974, options were granted for the purchase of 83,500 shares at $9.625 a share in fiscal 1973, of which options for 460 shares and 1,040 shares were exercised in the respective years. Options for 93,070 shares (aggregate option price of $2,878,000) and 42,100 shares (aggregate option price of $1,079,000) were terminated during fiscal 1973 and 1974, respectively. At February 22, 1975, options were outstanding for 256,300 shares at prices ranging from $9.625 to $27.875 a share (aggregate option price of $5,735,000), of which options for 209,740 shares were exercisable. All options outstanding during fiscal 1973 and 1974 have five year terms, were granted at fair market value of the optioned shares at grant date, and became exercisable immediately as to 20% of the optioned shares and thereafter as to an additional 20% on each of the first through the fourth annual anniversaries of the grant date. No options were granted during fiscal 1975 prior to the Board of Directors' approval of the 1975 plan, after which no additional options may be granted under prior plans.

Retirement Plans

Retirement benefits for substantially all full-time employees are provided by retirement plans of the companies and by industry plans administered jointly by management and unions, with the major portion of such employees being covered by industry plans. On September 1, 1973 the Company's U.S. Plan was amended to provide improved benefits, increasing pension expense at an annual rate of approximately $2 million.

The cost of all retirement plans (principally attributable to jointly administered industry plans) amounted to $37,574,000 and $27,770,000 for the respective 1974 and 1973 fiscal years.

It is estimated by the companies' independent consulting actuaries that vested benefits exceeded the plan's assets by approximately $45 million and unfunded actuarial liability for prior service costs was approximately $135 million at December 31, 1974. A preliminary study made by the actuaries indicates that the Employee Retirement Income Security Act of 1974 will not materially affect pension expense or the funding requirements of the Company's U.S. Plan.

Litigation

On August 20, 1974 a judgment was entered in favor of plaintiffs and against the Company in an action brought by a Mr. Bray and five other cattle producers, Civ. Act. No. 48538, in the U.S. District Court, Northern District of California for treble damages in the amount of $32,627,081, plus attorneys' fees and costs subsequently determined at $3,206,478. These awards will bear interest at 7% a year should payment eventually be required and were based on a jury verdict that the Company had violated the Sherman Act by conspiring with other retail food chains to fix wholesale meat prices at artificially low levels. On March 4, 1975 the Court denied plaintiffs' motions for injunctive relief and for permission to convert the case into a class action on behalf of all U.S. cattle producers. Both parties have filed notices of appeal to the United States Court of Appeals in San Francisco. In the opinion of counsel representing the Company, there are substantial grounds for the Company's appeal; however, counsel is unable to predict whether the appellate court will reverse the judgment against the Company.

During 1974, three suits based on similar allegations were filed in Texas, Nebraska and Iowa, naming the Company and other retail food chains as defendants and seeking injunctive relief as well as damages. Any money damages awarded plaintiffs in such suits would automatically be trebled, and the judgment would also include amounts for plaintiffs' attorney fees. The Texas action was brought by seven cattle producers seeking damages "tentatively ascertained" to be in excess of $20 million. In the Nebraska and Iowa actions, plaintiffs purported to be acting on behalf of cattle and hog producers in the respective states and sought to seek "tentatively ascertained" damages of $507 million and $465 million, respectively. On February 28, 1975 the Court approved a disposition in the Iowa case in which plaintiffs agreed to the dismissal of their complaints with prejudice and a dismissal without prejudice of the claims asserted on behalf of the class. In the Nebraska case, the Company is now the only remaining defendant. The Company denies all allegations of wrongdoing in these suits and, in the opinion of legal counsel, has meritorious defenses in each of these cases.

Because the amount of eventual liability, if any, with respect to the foregoing matters cannot be ascertained, no provision for possible resulting liability has been made in the accompanying financial statements.

The Company also is involved in various other claims and lawsuits arising out of the normal conduct of its business. The Company does not believe that any of these matters will result in a materially adverse effect on its financial statements.

Auditors' Opinion

Haskins & Sells
Certified Public Accountants

To the Board of Directors and Stockholders of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and subsidiary companies as of February 22, 1975 and February 23, 1974 and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for the respective 52-week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During 1974, a judgment of approximately $32,600,000 (plus subsequently determined costs and attorneys' fees of approximately $3,200,000) was entered against the Company in a U.S. District Court for alleged violation of the Sherman Act as to which the Company has filed a notice of appeal. In addition, the Company has been named as a co-defendant in several similar suits in which damages of substantial magnitude are being sought. Because of the uncertainty of the eventual outcome of these proceedings, no provision for possible liability has been made in the financial statements. Also during 1974, the Company recorded a provision of $200,000,000 for estimated costs to be incurred in its program for closing a substantial number of its stores and certain other facilities. We have reviewed the procedures applied by the Company in its determination of such provision and have inspected underlying documentation. Although the procedures are reasonable and the documentation appropriate, the eventual amount of such costs is dependent upon factors which are not fully determinable at the present time. The foregoing matters are more fully described in the notes to the financial statements captioned Litigation and Facilities Closing Program.

In our opinion, subject to any adjustments which might result from resolution of the matters referred to in the preceding paragraph, such financial statements present fairly the financial position of the companies at the respective year ends and the results of their operations and the changes in their financial position for the respective 52-week periods then ended, in conformity with generally accepted accounting principles consistently applied.

Haskins & Sells

Two Broadway
New York, N.Y. 10004
April 25, 1975

Consolidated Balance Sheet

The Great Atlantic & Pacific Tea Company, Inc.

Assets (Dollars in thousands)	February 22, 1975	February 23, 1974
Current assets:		
Cash	$ 46,944	$ 53,816
Short-term investments—at cost (approximates market)	11,772	9,164
Accounts receivable	28,865	30,339
Inventories	572,269	544,142
Prepaid expenses	14,264	17,339
Total current assets	674,114	654,800
Property:		
Land	8,986	8,923
Buildings	78,895	76,327
Equipment	394,326	383,298
Total—at cost	482,207	468,548
Less accumulated depreciation	201,276	204,532
	280,931	264,016
Store fixtures and leasehold improvements, etc., at amortized cost	105,958	96,237
	386,889	360,253
Less allowance for loss on property in facilities to be closed	46,000	—
Property-net	340,889	360,253
Other assets	5,705	5,820
Total	$1,020,708	$1,020,873

Liabilities And Stockholders' Equity (Dollars in thousands)		
Current liabilities:		
Current portion of long-term debt	$ 266	
Accounts payable	266,922	$ 272,868
United States and foreign income taxes	4,109	4,704
Accrued salaries, wages and employee benefits	52,155	49,907
Accrued taxes, other than income taxes	13,173	14,188
Current portion of reserve for facilities to be closed	100,000	—
Other accruals	23,466	18,578
Total current liabilities	460,091	360,245
Long-term debt	39,075	2,274
Deferred income taxes—net	4,159	29,589
Deferred income—principally investment tax credit	16,919	13,377
Reserves	57,187	3,856
Stockholders' equity:		
Preferred stock—no par value; authorized—3,000,000 shares; issued—none		
Common stock—$1 par value; authorized—40,000,000 shares; outstanding—1975—24,876,724 shares; 1974—24,875,684 shares	24,877	24,876
Capital surplus	377,165	377,156
Retained earnings	41,235	209,500
Total stockholders' equity	443,277	611,532
Total	$1,020,708	$1,020,873

See Notes to Financial Statements

Statement of Changes in Consolidated Financial Position

(Dollars in thousands)	52 Weeks to February 22, 1975 (Fiscal 1974)	52 Weeks to February 23, 1974 (Fiscal 1973)
Source of funds:		
From operations:		
Net income (loss)	$ (157,071)	$ 12,227
Expenses (income) not requiring (providing) working capital:		
Provision for cost of closing facilities (non-current portion)	100,000	—
Depreciation and amortization	51,620	49,570
Deferred income taxes (non-current portion)	(25,430)	4,078
Deferred investment tax credit	2,926	695
Working capital provided from (used in) operations	(27,955)	66,570
Sale of property	2,107	3,308
Proceeds from borrowings (long-term debt)	169,567	130,000
Other	72	5,275
Total	143,791	205,153
Disposition of funds:		
Expenditures for property	80,363	55,035
Current maturities and repayment of long-term debt	132,766	185,000
Cash dividends	11,194	—
Total	224,323	240,035
Decrease in working capital	80,532	34,882
Working capital—Beginning of year	294,555	329,437
Working capital—End of year	$ 214,023	$ 294,555
Increase (decrease) in components of working capital:		
Cash and short-term investments	$ (4,264)	$ (11,579)
Accounts receivable	(1,474)	3,799
Refundable Federal income taxes	—	(51,263)
Inventories	28,127	60,131
Prepaid expenses	(3,075)	(1,724)
Net change in current assets	19,314	(636)
Accounts payable and current portion of long-term debt	(5,680)	33,739
United States and foreign income taxes	(595)	3,134
Accrued expenses	6,121	(2,627)
Current portion of reserve for facilities to be closed	100,000	—
Net change in current liabilities	99,846	34,246
Decrease in working capital	$ 80,532	$ 34,882

See Notes to Financial Statements

Statement of Consolidated Income and Retained Earnings

(Dollars in thousands, except per share figures)	52 Weeks to February 22, 1975 (Fiscal 1974)	52 Weeks to February 23, 1974 (Fiscal 1973)
Sales	$6,874,611	$6,747,689
Cost of merchandise sold	5,514,580	5,513,573
Gross margin	1,360,031	1,234,116
Store operating, general and administrative expense	1,326,601	1,213,212
Income from operations	33,430	20,904
Provision for cost of closing facilities	(200,000)	—
Interest:		
Income—Primarily on temporary cash investments	2,083	1,662
Expense	(3,784)	(3,439)
Income (loss) before income taxes	(168,271)	19,127
Income taxes—Provision (credit)	(11,200)	6,900
Net income (loss)	(157,071)	12,227
Retained earnings—Beginning of year	209,500	197,273
Cash dividends	11,194	—
Retained earnings—End of year	$ 41,235	$ 209,500
Net income (loss) per common share	$ (6.31)	$ .49
Cash dividends per common share	$ .45	—

See Notes to Financial Statements

Six-Year Review of Performance

(Dollars in thousands, except per share figures) For the fiscal year	1974	1973	1972	1971	1970	1969(c)
Summary of operations						
Sales	$6,874,611	6,747,689	6,368,876	5,508,508	5,664,025	5,753,692
Cost of merchandise sold	$5,514,580	5,513,573	5,267,409	4,416,905	4,523,288	4,622,312
Gross margin	$1,360,031	1,234,116	1,101,467	1,091,603	1,140,737	1,131,380
Store operating, general and administrative expenses	$1,326,601	1,213,212	1,207,478	1,071,674	1,049,412	1,026,525
Income (loss) from operations	$ 33,430	20,904	(106,011)	19,929	91,325	104,855
Provision for cost of closing facilities	$ 200,000	—	—	—	—	—
Interest:						
Income—primarily on temporary cash investments	$ 2,083	1,662	1,286	2,124	3,635	3,113
Expense	$ (3,784)	(3,439)	(2,252)	(501)	(601)	(222)
Income (loss) before income taxes	$ (168,271)	19,127	(106,977)	21,552	94,359	107,746
Income taxes—provision (credit):						
United States income taxes:						
Current	$ 4,258	3,168	(51,484)	2,891	33,883	41,750
Deferred—net	$ (19,105)	2,687	656	4,619	6,916	6,065
State income taxes	$ 1,100	600	(1,700)	433	2,730	2,544
Foreign income taxes:						
Current	$ 736	571	—	64	4,192	4,536
Deferred	$ (1,115)	(821)	(1,628)	(656)	(2,000)	—
Investment credit:						
Deferred	$ 4,850	2,502	580	1,855	641	1,666
Amortized	$ (1,924)	(1,807)	(2,124)	(2,273)	(2,132)	(2,117)
Total income taxes	$ (11,200)	6,900	(55,700)	6,933	44,230	54,444
Net income (loss)	$ (157,071)	12,227	(51,277)	14,619	50,129	53,302
Per cent of sales	(2.28)	.18	(.81)	.27	.89	.93
Depreciation and amortization	$ 51,620	49,570	48,870	48,536	50,079	50,465
Retirement plans	$ 37,574	27,770	21,313	18,091	9,659	9,410
Number of employees	105,000	113,800	123,600	113,600	125,000	130,100
Number of stores	3,468	3,680	3,940	4,264	4,427	4,575
Total store area (square feet)	55,763,000	56,354,000	57,590,000	58,628,000	58,685,000	58,922,000
Balance Sheet Data						
Total assets	$1,020,708	1,018,599	1,020,819	972,934	978,870	957,073
Working capital	$ 214,023	294,555	329,437	324,683	346,510	335,836
Current ratio	1.47	1.82	2.01	2.21	2.35	2.29
Additions to property	$ 80,363	55,035	48,458	61,987	60,062	63,259
Property—net	$ 340,889	360,253	358,096	374,137	353,652	344,760
Long-term debt	$ 39,075	2,274	55,000	—	—	—
Stockholders' equity	$ 443,277	611,532	599,301	665,503	680,112	662,321
Common Stock Data						
Net income per share (a)	$ (6.31)	.49	(2.06)	.59	2.02	2.15
Cash dividends per share	$ .45	—	.60	1.175	1.30	1.30
Stockholders' equity per share (b)	$ 17.82	24.58	24.09	26.75	27.34	26.63
Shares outstanding (a)	24,876,644	24,875,259	24,875,224	24,875,224	24,875,010	24,854,654
Number of stockholders	42,100	43,500	45,000	53,400	47,900	52,700

(a) Based on the weighted average number of common shares outstanding each year.
(b) Based on the number of common shares outstanding at each year-end.
(c) 53 weeks; all other years contained 52 weeks.

Directors

William M. Agee
Executive Vice President and Director
The Bendix Corporation

Harold J. Berry
Director and Chairman, Investment Banking Committee;
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Brokers and Investment Bankers

R. Manning Brown, Jr.
Chairman of the Board and Chief Executive Officer,
New York Life Insurance Company

William Corbus
Vice Chairman of the Board of Directors

Charles F. Detmar, Jr.
Partner; Cahill Gordon & Reindel
Attorneys

Grant C. Gentry
President and Chief Administrative Officer

Harry C. Gillespie
Vice President and Treasurer

Robert F. Longacre
Vice Chairman and Chief Operating Officer

M. Dean Potts
Vice President and Secretary

John M. Schiff
General Partner; Kuhn, Loeb & Co.
Investment Bankers

Jonathan L. Scott
Chairman of the Board of Directors and Chief Executive Officer

Percy A. Smith
Vice President

Hobart Taylor, Jr.
Partner; Dawson, Riddell, Taylor, Davis & Holroyd
Attorneys

Edward J. Toner
Partner; Collins, Toner & Rusen
Attorneys

William I. Walsh
Executive Vice President

Officers

Jonathan L. Scott
Chairman and Chief Executive Officer

Grant C. Gentry
President and Chief Administrative Officer

Robert F. Longacre
Vice Chairman and Chief Operating Officer

William Corbus
Vice Chairman

William I. Walsh
Executive Vice President

Robert T. Blade
Vice President and Regional President

John J. Cairns, Jr.
Vice President—Merchandising

William J. F. Dailey
Vice President and Regional President

Harry C. Gillespie
Vice President and Treasurer

Arthur S. Hillhouse, Jr.
Vice President—Warehousing and Distribution

John L. Long
Vice President—Purchasing

Willis D. Lonn
Vice President—Special Projects

H. Prentice Merritt
Vice President—Property Develoment

Lowell A. Peters
Vice President and Regional President

M. Dean Potts
Vice President and Secretary

Thomas F. Sheridan
Vice President and Regional President

Percy A. Smith
Vice President and Regional President

Robert L. Spencer
Vice President and Regional President

Darrell V. Stiffler, Jr.
Vice President—Personnel and Industrial Relations

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Transfer Agent
Morgan Guaranty Trust Company Of New York
New York, N.Y.

Registrar
First National City Bank
New York, N.Y.

Common stock of the Company is traded on the New York Stock Exchange under the symbol "GAP," and has unlisted trading privileges on the Boston, Midwest, Philadelphia-Baltimore-Washington, Pittsburgh, Cincinnati and Detroit Stock Exchanges.

The Annual Meeting will be held on Tuesday, June 17, 1975 at 10 a.m. at The Crown Center Hotel in Kansas City, Missouri. Stockholders are cordially invited to attend.

Copies of the Form 10-K submitted to the Securities Exchange Commission will be provided to stockholders upon written request to the Corporate Secretary.

Designed by Johannes Regn. Incorporated